

## CHAPTER 16-7.2 The Education Equity and Property Tax Relief Act<sup>1</sup>

### SECTION 16-7.2-1

**§ 16-7.2-1 Legislative findings.** – (a) The general assembly recognizes the need for an equitable distribution of resources among the state's school districts, property tax relief and a predicable method of distributing education aid. The general assembly finds that there is a need to reform the way public education is financed because:

(1) All children should have access to an adequate and meaningful education regardless of their residence or economic means;

(2) A school funding system should treat property taxpayers equably, limit the portion of school budgets financed by property taxes, and establish sufficient cost controls on school spending;

(3) The state should ensure that its school funding structure adequately reflects the different needs of students, and closes the educational inequities among the state's school districts; and

(4) The state education funding system should provide a predicable amount and source of funding to ensure stability in the funding of schools.

(b) The intent of this chapter is to promote a school finance system in Rhode Island that is predicated on student need and taxpayer ability to pay. A new school funding system in the state should promote educational equity for all students and reduce the reliance on the property tax to fund public education. This legislation is intended to ensure educational opportunity to each pupil in each city or town on substantially equal terms. Adequate per pupil support will be provided through a combination of state school aid and local education property tax levies.

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### SECTION 16-7.2-3

**§ 16-7.2-3 Permanent foundation education aid established.** – (a) Beginning in the 2012 fiscal year, the following foundation education aid formula shall take effect. The foundation education aid for each district shall be the sum of the core instruction amount in (a)(1) and the amount to support high need students in (a)(2), which shall be multiplied by the district state share ratio calculated pursuant to § 16-7.2-4 to determine the foundation aid.

(1) The core instruction amount shall be an amount equal to a statewide per pupil core instruction amount as established by the department of elementary and secondary education, derived from the average of northeast regional expenditure data for the states of Rhode Island, Massachusetts, Connecticut, and New Hampshire from the National Center for Education Statistics (NCES) that will adequately fund the student instructional needs as described in the

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<sup>1</sup> Key general law is excerpted for convenience. This is not a complete list of all statutory references impacting state and local education aid

basic education program and multiplied by the district average daily membership as defined in § 16-7-22. Expenditure data in the following categories: instruction and support services for students, instruction, general administration, school administration and other support services from the National Public Education Financial Survey as published by NCES and enrollment data from the Common Core of Data also published by NCES will be used when determining the core instruction amount. The core instruction amount will be updated annually. For the purpose of calculating this formula, school districts' resident average daily membership shall exclude charter school and state-operated school students.

(2) The amount to support high need students beyond the core instruction amount shall be determined by multiplying a student success factor of forty percent (40%) by the core instruction per pupil amount described in § 16-7.2-3(1) and applying that amount to all resident children eligible for USDA reimbursable school meals.

(b) LEAs may set aside a portion of funds received under subsection (a) to expand learning opportunities such as after school and summer programs, full day kindergarten and/or multiple pathway programs provided that the basic education program and all other approved programs required in law are funded.

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#### SECTION 16-7.2-4

**§ 16-7.2-4 Determination of state's share.** – (a) For each district, the state's share of the foundation education aid calculated pursuant to § 16-7.2-3(a) shall use a calculation that considers a district's revenue generating capacity and concentration of high-need students. The calculation is the square root of the sum of the state share ratio for the community calculation (SSRC), pursuant to § 16-7-20, squared plus the district's percentage of students eligible for USDA reimbursable school meals in grades PK-6 (PK6FRPL) squared, divided by two.

(b) For purposes of determining the state's share, school district student data used in this calculation shall include charter school and state school students. These ratios are used in the permanent foundation education aid formula calculation described in § 16-7.2-5.

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#### SECTION 16-7.2-5

**§ 16-7.2-5 Charter public schools, the William M. Davies, Jr. Career and Technical High School, and the Metropolitan Regional Career and Technical Center.** – (a) Charter public schools defined in chapter 77 of this title, the William M. Davies, Jr. Career and Technical High School (Davies) and the Metropolitan Regional Career and Technical Center (the Met Center) shall be funded pursuant to § 16-7.2-3. If the October 1 actual enrollment data for any charter public school shows a ten percent (10%) or greater change from the prior year enrollment which is used as the reference year average daily membership, the third and fourth quarter

payments to the charter public school will be adjusted to reflect actual enrollment. The state share of the permanent foundation education aid shall be paid by the state directly to the charter public schools, Davies, and the Met Center pursuant to § 16-7.2-9 and shall be calculated using the state share ratio of the district of residence of the student as set forth in § 16-7.2-4. The department of elementary and secondary education shall provide the general assembly with the calculation of the state share of permanent foundation education aid for charter public schools delineated by school district. The department shall also provide the general assembly a performance dashboard indicating the per-pupil expenditures of each school district and charter school broken down by revenue sources and expenditure categories. The department shall provide, within the same dashboard, student performance indicators for each school district or charter school. The local share of education funding, as defined by the department of elementary and secondary education and approved by the General Assembly, shall be paid to the charter public school, Davies, and the Met Center by the district of residence of the student and shall be the local per-pupil cost calculated by dividing the local appropriation to education from property taxes, net of debt service and capital projects, as defined in the uniform chart of accounts by the average daily membership for each city and town, pursuant to § 16-7-22, for the reference year.

(b) Local district payments to charter public schools, Davies, and the Met Center for each district's students enrolled in these schools shall be made on a quarterly basis in July, October, January and April; however, the first local district payment shall be made by August 15 instead of July. Failure of the community to make the local district payment for its student(s) enrolled in a charter public school, Davies, and/or the Met Center may result in the withholding of state education aid pursuant to § 16-7-31.

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## SECTION 16-7.2-6

**§ 16-7.2-6 Categorical programs, state funded expenses.** – In addition to the foundation education aid provided pursuant to § 16-7.2-3 the permanent foundation education aid program shall provide direct state funding for:

(a) *Excess costs associated with special education students.* Excess costs are defined when an individual special education student's cost shall be deemed to be "extraordinary." Extraordinary costs are those educational costs that exceed the state approved threshold based on an amount above five times the core foundation amount (total of core instruction amount plus student success amount) The department of elementary and secondary education shall prorate the funds available for distribution among those eligible school districts if the total approved costs for which school districts are seeking reimbursement exceed the amount of funding appropriated in any fiscal year;

(b) Career and technical education costs to help meet initial investment requirements needed to transform existing or create new comprehensive career and technical education programs and career pathways in critical and emerging industries and to help offset the higher than

average costs associated with facilities, equipment maintenance and repair, and supplies necessary for maintaining the quality of highly specialized programs that are a priority for the state. The department shall recommend criteria for the purpose of allocating any and all career and technical education funds as may be determined by the general assembly on an annual basis. The department of elementary and secondary education shall prorate the funds available for distribution among those eligible school districts if the total approved costs for which school districts are seeking reimbursement exceed the amount of funding available in any fiscal year;

(c) Programs to increase access to voluntary, free, high-quality pre-kindergarten programs. The department shall recommend criteria for the purpose of allocating any and all early childhood program funds as may be determined by the general assembly;

(d) Central Falls Stabilization Fund is established to assure that appropriate funding is available to support the community, including students from the community that attend the charter schools, Davies, and the Met Center pursuant to § 16-7.2-5, due to concerns regarding the city's capacity to meet the local share of education costs. This fund requires that education aid calculated pursuant to § 16-7.2-3 and funding for costs outside the permanent foundation education aid formula, including but not limited to transportation, facility maintenance, and retiree health benefits shall be shared between the state and the city of Central Falls. The fund shall be annually reviewed to determine the amount of the state and city appropriation. The state's share of this fund may be supported through a reallocation of current state appropriations to the Central Falls school district. At the end of the transition period defined in § 16-7.2-7, the municipality will continue its contribution pursuant to § 16-7-24; and

(e) Excess costs associated with transporting students to out of district non-public schools and within regional school districts. (1) This fund will provide state funding for the costs associated with transporting students to out of district non-public schools, pursuant to title 16, Chapter 21.1. The state will assume the costs of non-public out-of-district transportation for those districts participating in the statewide system; and (2) This fund will provide direct state funding for the excess costs associated with transporting students within regional school districts, established pursuant to title 16, chapter 3. This fund requires that the state and regional school district share equally the student transportation costs net any federal sources of revenue for these expenditures. The department of elementary and secondary education shall prorate the funds available for distribution among those eligible school districts if the total approved costs for which school districts are seeking reimbursement exceed the amount of funding available in any fiscal year.

(f) Public school districts that are regionalized shall be eligible for a regionalization bonus as set forth below.

(1) As used herein, the term "regionalized" shall be deemed to refer to a regional school district established under the provisions of chapter 16-3 including the Chariho Regional School district.

(2) For those districts that are regionalized as of July 1, 2010, the regionalization bonus shall commence in FY 2012. For those districts that regionalize after July 1, 2010, the regionalization bonus shall commence in the first fiscal year following the establishment of a regionalized school district as set forth section 16-3, including the Chariho Regional School District.

(3) The regionalization bonus in the first fiscal year shall be two percent (2.0%) of the state's share of the foundation education aid for the regionalized district as calculated pursuant to §§ 16-7.2-3 and 16-7.2-4 in that fiscal year.

(4) The regionalization bonus in the second fiscal year shall be one percent (1.0%) of the state's share of the foundation education aid for the regionalized district as calculated pursuant to §§ 16-7.2-3 and 16-7.2-4 in that fiscal year.

(5) The regionalization bonus shall cease in the third fiscal year.

(6) The regionalization bonus for the Chariho regional school district shall be applied to the state share of the permanent foundation education aid for the member towns.

(7) The department of elementary and secondary education shall prorate the funds available for distribution among those eligible regionalized school districts if the total approved costs for which regionalized school districts are seeking a regionalization bonus exceed the amount of funding appropriated in any fiscal year.

(g) Categorical programs defined in (a) through (f) shall be funded pursuant to the transition plan in § 16-7.2-7.

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#### **SECTION 16-7.2-7**

**§ 16-7.2-7 Transition plan.** – (a) The general assembly shall annually determine the appropriation of education aid pursuant to this chapter using a transition plan to begin in fiscal year 2012, not to exceed seven (7) years for LEA's for whom the calculated education aid pursuant to § 16-7.2-3 is more than the education aid the LEA is receiving as of the effective date of the formula, and ten (10) years for LEA's for whom the calculated education aid pursuant to § 16-7.2-3 is less than the education aid the LEA is receiving as of the effective date of the formula.

(b) The local share of funding pursuant to § 16-7.2-5 shall be transitioned proportionately over a period not to exceed five (5) years. The transition shall provide a combination of direct aid to districts, funds for the categorical programs, and district savings through state-assumed costs, as determined by the general assembly on an annual basis. Updates to any components of the permanent foundation education aid formula, such as student data, property values, and/or median family income, that result in an increase or decrease in state education aid that impacts the total state and local contribution by more than three percent (3%) shall be

transitioned over a period of time not to exceed three (3) years.

(c) For districts that are converting from a half-day to a full-day kindergarten program for the 2014-2015 school year and after, as defined by § 16-99-4, the increase in aid provided pursuant to the formula for the increased reference average daily membership due to the conversion of the kindergarten students from 0.5 full-time equivalent to 1.0 full-time equivalent is not subject to the transition plan in subsection (a); instead, the increased kindergarten full-time equivalents will be funded at the fully transitioned value of the formula beginning in FY 2017.

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#### **SECTION 16-7.2-8**

**§ 16-7.2-8 Accountability.** – (a) Pursuant to §§ 16-7.1-3 and 16-7.1-5, the department of elementary and secondary education shall use the uniform chart of accounts to maintain fiscal accountability for education expenditures that comply with applicable laws and regulations, including but not limited to the basic education program. This data shall be used to develop criteria and priorities for cost controls, efficiencies, and program effectiveness. The department of elementary and secondary education shall present this information in the form of an annual report to the general assembly.

(b) The department of elementary and secondary education shall establish and/or implement program standards to be used in the oversight of the use of foundation aid calculated pursuant to § 16-7.2-3. Such oversight will be carried out in accordance with the progressive support and intervention protocols established in chapter 7.1 of this title.

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#### **SECTION 16-7.2-9**

**§ 16-7.2-9 Applicability.** – This chapter applies to education aid for any city, town or regional school district including the Central Falls state operated school district, charter schools, the William M. Davies, Jr. Career and Technical High School, and the Metropolitan Regional Career and Technical Center. Calculation and distribution of aid under §§ 16-7-20.5, 16-7.1-6, 16-7.1-8, 16-7.1-9, 16-7.1-10, 16-7.1-11, 16-7.1-11.1, 16-7.1-12, 16-7.1-15, 16-7.1-16, 16-7.1-17, 16-7.1-18, 16-7.1-19, 16-67-4, and 16-77.1-2 is hereby suspended effective July 1, 2011, until further action by the general assembly. Aid under this chapter will be paid pursuant to § 16-7-17, except that aid to the Central Falls state operated school district and charter schools, Davies, and the Met Center pursuant to § 16-7.2-5 shall be paid in twelve (12) equal installments on the first of each month.

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#### **SECTION 16-7.2-10**

**§ 16-7.2-10 Reporting to the General Assembly.** – On or before November 15, 2010, the

department of education shall report to the senate president, speaker of the house, and chairs of the Senate and House Finance Committees on the following: (a) The identification and evaluative impact of alternative mechanisms to update or supplement the median family income factor relied upon in the EWAV variable utilized in the permanent education aid formula in accordance with this section; (b) An analysis of the feasibility, alternative financing mechanisms, and impact of the Central Falls Stabilization Fund pursuant to this section; and, (c) a multi-year analysis of the impact of the financing of charter schools and vocational schools, pursuant to this section, on local school districts.

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### SECTION 16-7-17

**§ 16-7-17 Time of payment of state's share of the basic program and approved expenditures.** – There shall be paid by the state to each community in twelve (12) monthly installments an amount as determined by law to be the state's share of the cost of the basic program for the reference year and all approved expenditures in excess of the basic program for the reference year, provided, however, that these payments to a community shall be reduced by the amount of funds deposited by the department into the local education agency EPSDT account in accordance with § 40-8-18 on behalf of the community. The July payment shall be two and fifty-four hundredths percent (2.54%) of the state's share based upon the estimated pupil data, valuation data, and expenditure data for the reference year and the August through June payments shall each be eight and eighty-six hundredths percent (8.86%) of the aid due and payable based upon the data for the reference year, except for the city of East Providence which shall be paid during October and April in accordance with chapter 344 of the Public Laws of 1982.

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### SECTION 16-7-20

**§ 16-7-20 Determination of state's share.** – (a) For each community the state's share shall be computed as follows: Let

R = state share ratio for the community.

v = adjusted equalized weighted assessed valuation for the community, as defined in § 16-7-21(3).

V = sum of the values of v for all communities.

m = average daily membership of pupils in the community as defined in § 16-7-22(3).

M = total average daily membership of pupils in the state.

E = approved reimbursable expenditures for the community for the reference year minus the excess costs of special education, tuitions, federal and state receipts, and other income.

Then the state share entitlement for the community shall be RE where

$R = 1 - 0.5vM/(Vm)$  through June 30, 2011, and  $R = 1 - 0.475 vM/(Vm)$  beginning on July 1, 2011 and thereafter.

Except that in no case shall R be less than zero percent (0%).

(b) Whenever any funds are appropriated for educational purposes, the funds shall be used for educational purposes only and all state funds appropriated for educational purposes must be used to supplement any and all money allocated by a city or town for educational purposes and in no event shall state funds be used to supplant, directly or indirectly, any money allocated by a city or town for educational purposes. The courts of this state shall enforce this section by writ of mandamus.

(c) Notwithstanding the calculations in subsection (a), the hospital school at the Hasbro Children's Hospital shall be reimbursed one hundred percent (100%) of all expenditures approved by the board of regents for elementary and secondary education in accordance with currently existing rules and regulations for administering state aid, and subject to annual appropriations by the general assembly including, but not limited to, expenditures for educational personnel, supplies, and materials in the prior fiscal year.

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## SECTION 16-7-21

**§ 16-7-21 Determination and adjustment of equalized weighted assessed valuation.** – On or before August 1 of each year the division of property valuation within the department of revenue shall determine and certify to the commissioner of elementary and secondary education the equalized weighted assessed valuation for each city and town in the following manner:

(1) The total assessed valuations of real and tangible personal property for each city and town as of December 31 of the third preceding calendar year shall be weighted by bringing the valuation to the true and market value of real and tangible personal property. The total assessed valuations of real and tangible personal property for all cities and towns shall be applied to the true and market valuations of the property for all cities and towns and the resulting percentage shall determine the average throughout the state. This percentage applied to the sum of the total true and market value of real and tangible personal property of each city and town shall be the equalized weighted assessed valuation of each city and town.

(2) The equalized weighted assessed valuation for each city and town shall be allocated to the particular city or town, and in the case of a regional school district which does not service all



grades, except the Chariho regional high school district, the commissioner of elementary and secondary education shall apportion that proportion of the equalized weighted assessed valuation of the member cities or towns which the average daily membership serviced by the regional school district bears to the total average daily membership, and the equalized weighted assessed valuation of the member cities and towns shall be appropriately reduced.

(3) The equalized weighted assessed valuation for each community as allocated or apportioned in accordance with subdivision (2) of this section shall be adjusted by the ratio which the median family income of a city or town bears to the statewide median family income as reported in the latest available federal census data. The total state adjusted equalized weighted assessed valuation shall be the same as the total state equalized weighted assessed valuation.

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## SECTION 16-7-22

**§ 16-7-22 Determination of average daily membership.** – Each community shall be paid pursuant to the provisions of § 16-7-17 an amount based upon the following provisions:

(1) On or before September 1 of each year the average daily membership of each city and town for the reference year shall be determined by the commissioner of elementary and secondary education from data supplied by the school committee in each community in the following manner: The aggregate number of days of membership of all pupils enrolled full time in grade twelve (12) and below, except that pupils below grade one who are not full time shall be counted on a full-time equivalent basis: (i) Increased by the aggregate number of days of membership of pupils residing in the particular city or town whose tuition in schools approved by the department of elementary and secondary education in other cities and towns is paid by the particular city or town; and (ii) Decreased by the aggregate number of days of membership of nonresident pupils enrolled in the public schools of the particular city or town and further decreased by the aggregate number of days of membership equal to the number of group home beds calculated for the purposes of reimbursement pursuant to § 14-64-1.1; and (iii) Decreased further, in the case of a city or town that is a member of a regional school district during the first year of operation of the regional school district by the aggregate number of days of membership of pupils residing in the city or town who would have attended the public schools in the regional school district if the regional school district had been operating during the previous year, divided by the number of days during which the schools were officially in session during the reference year. The resulting figures shall be the average, daily membership for the city or town for the reference year. For purposes of calculating the permanent foundation education aid as described in § 16-7.2-3(1) and (2), the average, daily membership for school districts shall exclude charter school and state school students, and beginning in school year 2014-2015, include an estimate to ensure that districts converting from a half-day to a full-day kindergarten program pursuant to § 16-99-4 are credited on a full-time basis beginning in the first year of enrollment and are funded notwithstanding the transition plan pursuant to § 16-7.2-7.

(2) The average daily membership of pupils attending public schools shall apply for the purposes of determining the percentage of the state's share under the provisions of §§ 16-7-16(3), 16-7-16(10), 16-7-18, 16-7-19, 16-7-20, 16-7-21 and 16-7.2-4.

(3) In the case of regional school districts, the aggregate number of days of membership by which each city or town is decreased in subdivision (1)(iii) of this section, divided by the number of days during which the schools attended by the pupils were officially in session, shall determine the average daily membership for the regional school district during the first year of operation. After the first year of operation, the average, daily membership of each regional school district, except the Chariho regional high school district, shall be determined by the commissioner of elementary and secondary education from data supplied by the school committee of each regional school district for the reference year in the manner provided in subdivision (1) of this section.

shall inquire into the cause or causes of this failure of the community to adequately support the